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RECORD OF ORAL HEARING

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Ex parte JAY S. WALKER, JOHN M. PACKES, JR., DANIEL E. TEDESCO, STEPHEN C. TULLEY, KEITH BEMER, and JAMES A. JORASCH

Appeal 2007-2578
Application 10/642,894
Technology Center 3600

Oral Hearing Held: January 23, 2008

Before WILLIAM F. PATE, III, HUBERT C. LORIN, and ANTON W. FETTING, Administrative Patent Judges

ON BEHALF OF THE APPELLANT:

MICHAEL D. DOWNS (via telephone)
Walker Digital
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The above-entitled matter came on for hearing on Wednesday, January 23, 2008, commencing at 9:30 a.m., at the U.S. Patent and Trademark Office, 600 Dulany Street, Alexandria, Virginia, before Ashorethea Cleveland, Notary Public.

PROCEEDINGS

JUDGE PATE: Can you identify yourself, please?

MR. DOWNS: Absolutely. Yes. This is Mike Downs representing appellants, Walker, et al., Application 10/642,894, Appeal Number 2007-2578.

JUDGE PATE: Let me read into the record that this is calendar number 36. The appeal number is 2007-2578; and the Judges here are Judge Fetting, Judge Lorin and I'm Judge Pate and I will be presiding.

We have had a chance to go over this case beforehand; and so, we are ready to hear your argument. You can go ahead, Mr. Downs.

MR. DOWNS: Thank you very much and good morning. May it please the court. I would like to just start out with a quick overview of some of the main items and then touch on two of the issues that the Examiner and the appellants have really been looking to the Board to resolve as we have been going around and around on them for years now.

So, quickly, what the inventors were thinking about such as in claim 77 was this idea that -- you know, predicting demand is possible through some alternatives. You know, you can take surveys; but to identify people who may actually buy a product, identifying potential buyers, is a little more problematic.

And so, the process they came up with was this idea that in exchange for receiving information from the potential buyer indicating that they do plan to buy something like a large-screen television within the next year -- they could issue that potential buyer a reward in exchange for that information. So, this is a type of marketing information collection.

Further, they felt there would be a desirable embodiment in some instances to then apply a penalty if the potential buyer did not actually follow through and make the purchase as they had stated they intended to do with the advantage that this would make the potential buyer -- you know, provide more accurate information up front and more specific information.

So, with that quick, overview, on looking at the record, we, the applicants, feel there are two main issues that require a little more nuanced argument, the first being: In the Examiner's answer for the first time it was asserted that the step of applying a penalty such as recited in independent claims 77, 81 and referred to in claims 89 and 90, that that step of applying a penalty to a financial account of the potential buyer if the potential buyer does not purchase the item within a particular time period -- the Examiner stated that was an optional step; and this was in response to our argument that the Ring reference could not teach both issuing the reward and applying a penalty based on the Examiner's own interpretation of that reference, that if the real estate transaction described in Ring actually took place there would be no cause to apply a penalty in the real estate scenarios that were being discussed.

So, now appellants were giving the argument that that last step is actually optional; and so, the appellants understand that that is because of the use of "if" in that last step.

So, in our reply brief, we pointed out that: No. Actually, in order to perform this method and in order to infringe this method, one would have to actually apply the penalty to the financial account, and you cannot just wave away that subject matter.

Claim 77 as currently recited is not identical in scope to a claim that did not have that final step; and so, to the extent the Examiner has admitted, Ring does not teach that particular combination of all those steps in claim 77, for example. The anticipation rejection cannot stand.

That issue generally applies to independent claim 81, as well, which has a step of applying a penalty to the financial account when the financial buyer has not purchased the item within the particular time period.

JUDGE PATE: Excuse me, Mr. Downs. It's my understanding that neither you nor the Examiner cited any case law with respect to the contingent method step.

MR. DOWNS: I believe that's correct.

JUDGE PATE: Go ahead.

MR. DOWNS: I was just going to point out there's similar subject matter in claims 89 and in 90.

No, we are not aware of any case law directly on point; but in the inclusion of that step of applying a penalty, you know, means that that step has to occur, and the plain language described the circumstances under which that does occur, but it must occur in order for the method to be practiced.

The claim as written does not cover a scenario where the -- does not cover the alternative in which the potential buyer does purchase the item within a particular time period. You would not apply a penalty in that situation; and the claim does not cover that scenario.

JUDGE FETTING: So, for infringement purposes, you're telling me that the claim doesn't cover the scenario where the person actually does make the purchase?

MR. DOWNS: You would not apply a penalty in that situation because the potential buyer would have purchased the item within the particular time period.

JUDGE FETTING: But that's not what you said previously, I don't think. I think you said that the claim wouldn't apply when the purchaser actually did make the purchase. Which is it?

MR. DOWNS: There would be no penalty applied if the buyer made the purchase within the time period.

JUDGE FETTING: So, that step would be not practiced; right?

MR. DOWNS: Yes.

JUDGE FETTING: What's the difference between a claim that has a step that's not practiced and a claim that doesn't have the step for an infringement purpose?

MR. DOWNS: Well, I think the claim could have been written differently. For example, the claim could have been written differently so that it addresses a determination of whether or not the item was purchased and then as alternative steps that if it was purchased, you know, do not apply a penalty; if it wasn't purchased, apply a penalty. But as written, it addresses only the particular circumstance where the buyer did not purchase the item and a penalty is applied.

JUDGE FETTING: Okay. Go ahead.

MR. DOWNS: The second issue that appellants admit is more a nuance is our competing interpretations of what a reward is.

The Examiner has made the case that a reward in the real estate scenario is this discount below the listing price or an initial listing price by

the seller of a home that the eventual buyer doesn't actually pay, that that difference is their reward.

But appellants' position on that is that that is not a reward. There is no quid pro quo there and what the Examiner is basically saying is that if I go up to someone and ask from them four or five dollars and they give it to me, I have been rewarded and further there's an explicit step, for example in claim 77 of issuing the reward which does comprise money to the potential buyer and that in the real estate scenario there is no actual issuing of any money to a potential buyer, particularly as in the context of a claim it's not -- at the point of issuing, there hasn't necessarily been any purchase of anything.

So, that argument is well inside this concept of what a reward is and is not and it's appellant's position that the real estate scenario does not adequately describe an award as equally applicable to independent claims, at least 77, 81 and 89 and 90.

There's a third minor issue, if I still have time, if you don't have any questions on those.

JUDGE FETTING: You do have some time. I wanted to ask a question about the reward. Does the specification define "reward?"

MR. DOWNS: Yes, it does. The description of what a reward could be is admittedly broad. It can cover cash and money and discounts which is the language that the Examiner proceeded on. It seems like the Examiner having found a discount in the art then said, this must be a reward by the mere fact that there's a discount; and our argument is that there really isn't any quid pro quo. There's no reward sense in that real estate reference.

JUDGE FETTING: Well, I guess I'm curious as to why you're saying there's no quid pro quo. If the buyer agrees to enter into a contract in exchange for a reduction in contract price, that's certainly sounds like a quid pro quo to me.

MR. DOWNS: But is the seller rewarding the buyer in that situation?

JUDGE FETTING: Well, he's reducing his price.

MR. DOWNS: Appellants don't believe that that is an award to the buyer. You know, there's no understanding when you read the Ring that the seller is seeking to reward the buyer.

JUDGE FETTING: Well, you're just arguing subjective intent. The buyer is certainly obtaining something of value in exchange. Certainly one can imagine that that would be considered a reward under some circumstances.

MR. DOWNS: I think in the context of the reference, what the buyer is receiving is real estate. That is the focus of that transaction.

JUDGE FETTING: Oh, no, no, no. The buyer is receiving real estate at a given price; and that price differs from the price originally asked for.

JUDGE PATE: Right. If you act today, I'll give you a discount. That seems to be a quid pro quo to me.

MR. DOWNS: Yeah. I don't disagree with that. I don't think Ring addresses those additional considerations in the contract back and forth scenario.

JUDGE PATE: Okay. We think we understand your argument there if you want to go on. You have some time remaining.

MR. DOWNS: Okay. Then the last point is with respect to claim 78 and 82 and the calculating of a penalty that takes into account the reward.

JUDGE FETTING: The value of the reward.

MR. DOWNS: Right. So, the Examiner provided a proof; and we just want to take the opportunity to reiterate that we think the proof is based on impermissible hindsight that having -- the Examiner admits that the only real number at issue in the real estate scenario is the final contract price and that this mathematical relationship has been back filled and there is no evidence in the record that the discount, that delta between the offer price and what was actually paid, is ever taken into account in providing any type of penalty.

The Examiner reached too far in trying to establish those mathematical associations without actually proving that any of that was taken into account.

JUDGE FETTING: I would suggest the Examiner is simply saying that taking into account is a very broad term.

For the benefit of the other two Judges, if they're not familiar with the argument, basically the Examiner is arguing that since the deposit is a given percentage of the amount of the contract price and since you've already negotiated a reduction in the contract price, the penalty, which would be the deposit, is necessarily related to the difference between the original price and the final contract price. In other words, the deposit thereby. The penalty would be reduced in direct proportion to the amount that the final contract price was reduced from the original asking price.

I gather the Examiner is saying, well, "taking into account" is a very broad term. It doesn't necessarily have to be explicit or even used directly in the formula so long as -- like the word "using," there is some relationship.

MR. DOWNS: Thank you for a summary of the issue; and so, it's appellants' position that the "taking into account" must be more explicit than being able to find some type of relationship that may theoretically exist, that when you're calculating a penalty and the calculation takes into account the value of the reward, there must be some more explicit recognition of what the value actually is when you're doing the calculation, and that is not present in Ring. And that wraps up my comments on that brief point which is, I think I mentioned, relevant to in particular to claims 78 and 82.

JUDGE PATE: Okay. Is that the conclusion of your argument?

MR. DOWNS: That is.

JUDGE PATE: Okay. Judge Fetting, do you have any questions?

JUDGE FETTING: I don't think I have any further questions.

JUDGE PATE: Okay. Judge Lorin.

JUDGE LORIN: No questions.

JUDGE PATE: Okay. I have no further questions. So, we will take this case under advisement.

MR. DOWNS: Thank you very much.

JUDGE PATE: Thank you for your presentation.

MR. DOWNS: Thank you.

JUDGE PATE: Sure.

(Whereupon, at approximately 9:45 a.m., the proceedings were concluded.)